

## Message Text

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ORIGIN EB-07

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 L-03 SAM-01 NSC-05 SS-15

STR-04 CEA-01 H-02 /086 R

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EUR/NE:EBEIGEL

FRB:MMARTINSON

TRES:COMPCURRENCY:KARENAS

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FM SECSTATE WASHDC

TO AMEMBASSY LISBON PRIORITY

C O N F I D E N T I A L STATE 049717

E.O. 11652: GDS

TAGS: EFIN, PO

SUBJECT: PORTUGAL'S INTERNATIONAL CREDIT STANDING

REFS A) LISBON 966, B) STATE 20072 9/11/74

1. THE FEDERAL RESERVE BOARD SETS RESERVE REQUIREMENTS BASED ONLY ON DEPOSITS FOR ALL NATIONAL BANKS (WHICH MUST BELONG TO THE FEDERAL RESERVE SYSTEM) AND MEMBER STATE BANKS. THESE REQUIREMENTS DO NOT VARY WITH THE TYPES OF LOANS EXTENDED BY A BANK. THE UNIFORM RESERVE REQUIREMENTS, WHICH DEPEND ONLY ON THE CLASS OF BANK AND THE TYPES OF DOMESTIC DEPOSITS HELD, RANGE FROM 7-1/2 PERCENT TO 16-1/2 PERCENT ON NET DEMAND DEPOSITS AND 2-1/2 PERCENT TO 6 PERCENT FOR TIME DEPOSITS. FOREIGN DEPOSITS NORMALLY HAVE NO RESERVE REQUIREMENTS. HOWEVER, IF THESE DEPOSITS

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ARE USED TO FUND U.S. TRANSACTIONS OF A MINIMUM SIZE, THEY

ARE SUBJECT TO A FLAT 4 PERCENT RESERVE REQUIREMENT. NO DOMESTIC OR FOREIGN DEPOSIT CARRIES A 25 PERCENT RESERVE REQUIREMENT.

2. THE FEDERAL RESERVE DOES NOT CLASSIFY COUNTRIES NOR ALL LOANS TO A PARTICULAR COUNTRY INTO ANY CATEGORY. THE INDIVIDUAL FED BANK EXAMINER WHO IS RESPONSIBLE FOR EVALUATING A BANK'S LOAN PORTFOLIO, JUDGES PARTICULAR

LOANS ACCORDING TO A SET OF GENERAL CRITERIA NOT RELATING TO ANY PARTICULAR COUNTRY. THESE DETERMINATIONS ARE NOT THE RESULT OF SPECIFIC FEDERAL RESERVE BOARD INSTRUCTIONS. THE FED EXAMINES STATE CHARTERED MEMBER BANKS.

3. ALL NATIONAL BANKS ARE EXAMINED BY THE COMPTROLLER. PERIODIC MEETINGS OF COMPTROLLER EXAMINERS FACILITATE THE INTERCHANGE OF RELEVANT POLITICAL AND ECONOMIC INFORMATION. THIS RESULTS IN MORE UNIFORM JUDGMENTS BEING APPLIED TO ALL NATIONAL BANK CREDITS TO A CENTRAL GOVERNMENT AND AGENCIES THEREOF--THIS DOES NOT INCLUDE PRIVATE SECTOR LOANS. THE COMPTROLLER'S OFFICE IS NOT AUTHORIZED TO DISCLOSE JUDGMENTS WITH RESPECT TO INDIVIDUAL LOANS OR LOANS TO PARTICULAR BORROWERS. HOWEVER, THE DEPT. UNDERSTANDS EXAMINERS NOW ARE CLOSELY SCRUTINIZING LOANS TO PORTUGAL. EXAMINERS FROM BOTH THE COMPTROLLER AND THE FED WOULD OBVIOUSLY CONSIDER THE NATURE OF THE TRANSACTION IN REACHING A CONCLUSION. FOR EXAMPLE, SHORT-TERM TRADE CREDITS WOULD UNDOUBTEDLY BE CONSIDERED IN A DIFFERENT LIGHT THAN LONG TERM LOANS. THEREFORE, THERE WOULD BE NO PREDETERMINED BLANKET JUDGMENT FOR ALL LOANS TO A PARTICULAR COUNTRY.

4. U.S. BANK EXAMINERS HISTORICALLY HAVE BEEN ACCORDED CONSIDERABLE INDEPENDENCE IN EXERCISING THEIR RESPONSIBILITY OF PROTECTING U.S. DEPOSITORS. THE DEPT. BELIEVES IT WOULD BE INADVISABLE TO ALTER THIS PROCEDURE THROUGH THE INJECTION OF FOREIGN POLICY CONSIDERATIONS IN THE EXAMINATION PROCESS. RECENT CONGRESSIONAL HEARINGS AND CONTINUING INTEREST IN EXAMINATION PRACTICES INDICATE THE SENSITIVITY OF THIS SUBJECT. (SEE REF B FOR BACK-CONFIDENTIAL

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GROUND ON COMPTROLLER EXAMINATIONS).

5. IT SHOULD BE STRESSED THAT LOAN DECISIONS ARE MADE BY THE BANKS, NOT BY THE COMPTROLLER. WHILE BANKS ARE UNDER NO OBLIGATION TO COMPLY, THE SAME BASIC ECONOMIC CONDITIONS WHICH WOULD INFLUENCE BANK EXAMINERS' JUDGMENTS USUALLY LEAD BANKS TO PRACTICE CONSERVATIVE POLICIES. INGERSOLL

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 01 MAR 1976  
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**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** saccheem  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
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**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** PORTUGAL'S INTERNATIONAL CREDIT STANDING  
**TAGS:** EFIN, PO, FRB  
**To:** LISBON  
**Type:** TE  
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